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3 February 1959



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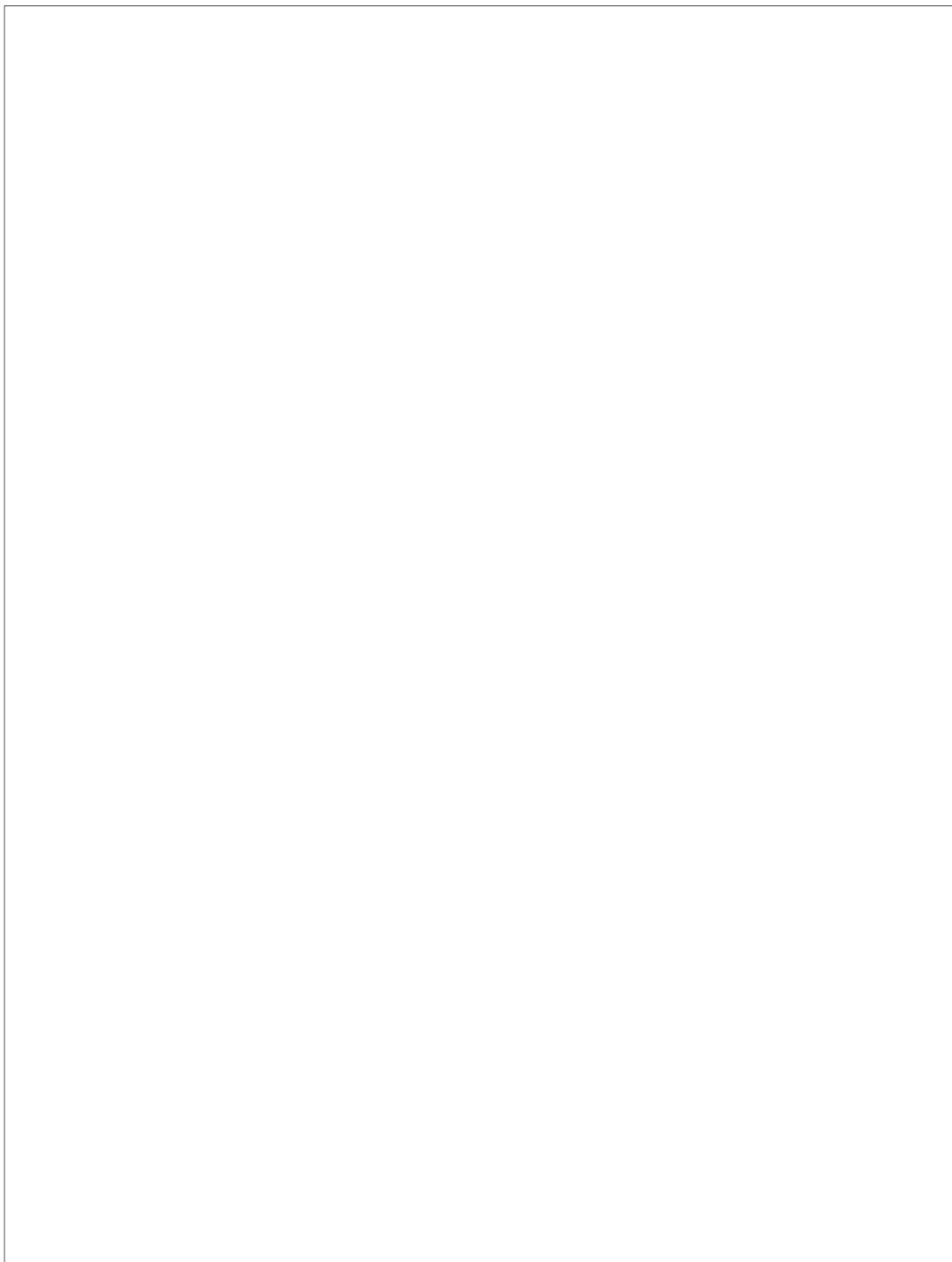
CENTRAL INTELLIGENCE BULLETIN



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3 FEBRUARY 1959

I. THE COMMUNIST BLOC

Evaluation of report on Soviet nuclear-powered submarines. ①

Soviet party congress may be extended; central committee changes possible. ②

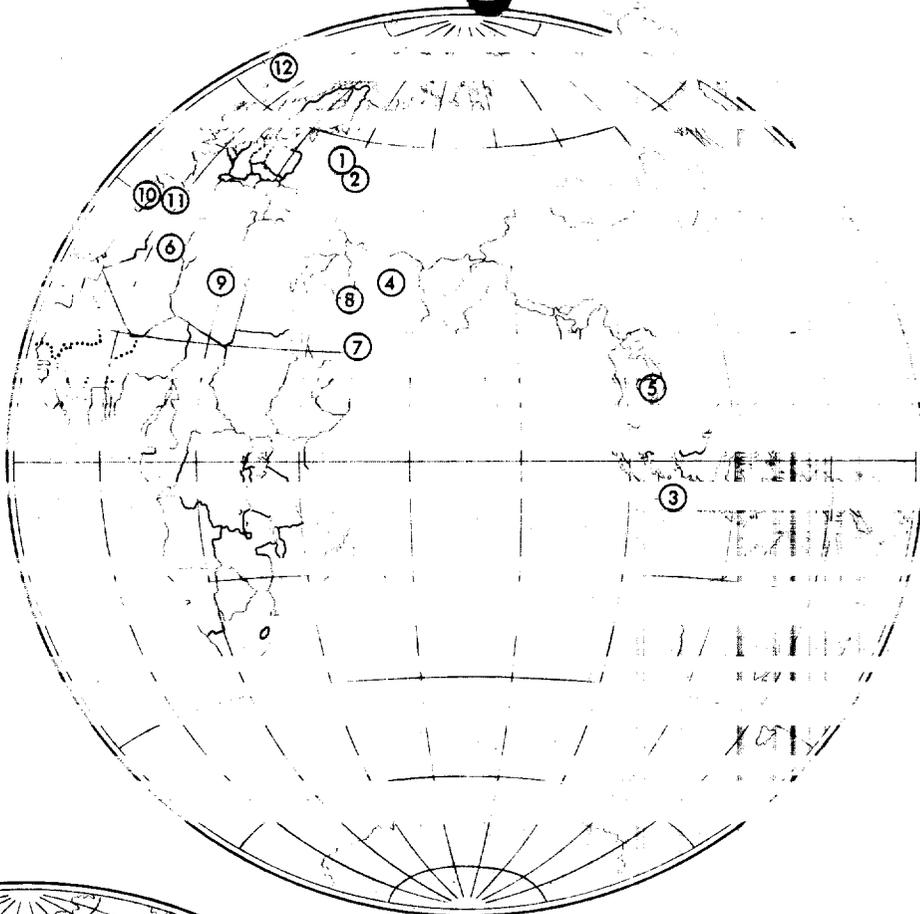
Chinese Communist light bombers probably en route to Indonesia as part of 1958 arms deal. ③

II. ASIA-AFRICA

Iranian-Soviet negotiations having serious impact; Baghdad Pact allies urge Shah to reconsider. ④

Cambodia - South Vietnamese fear Thais cooling toward anti-Sihanouk plot. ⑤

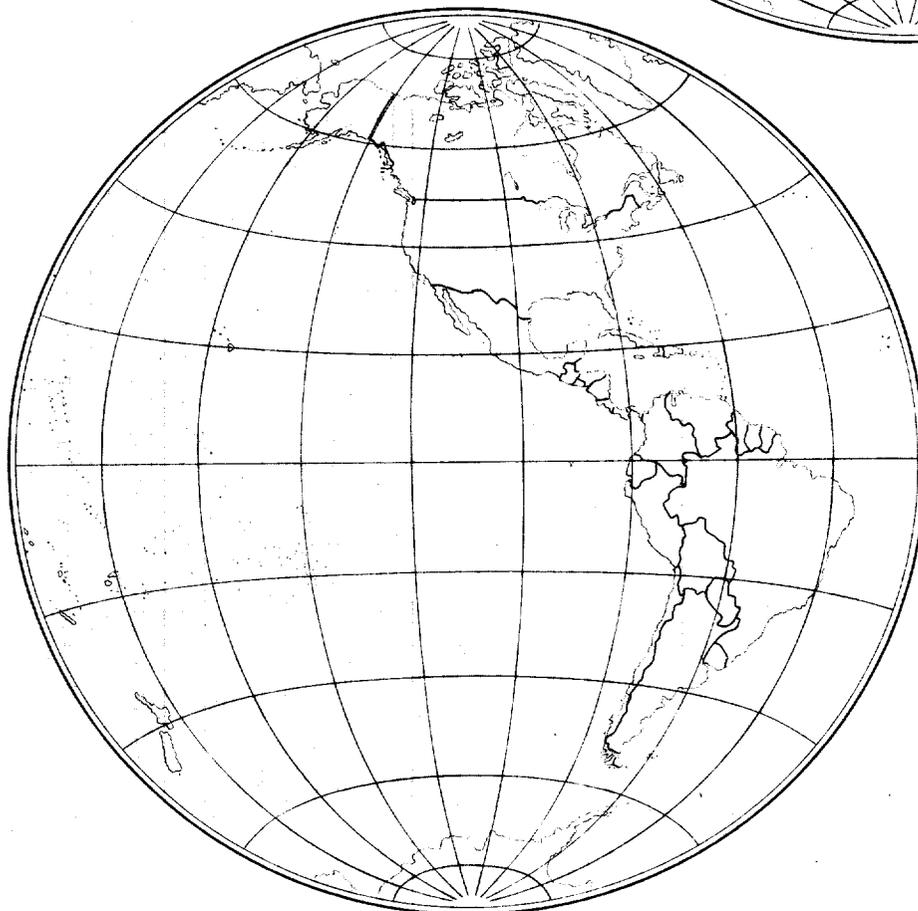
Algerian rebels warn against American participation in Saharan oil exploitation. ⑥



- ⑦ King Saud apparently seeks rapprochement with Nasir.
- ⑧ Kuwait probably to join Arab League in near future.
- ⑨ Libya - Soviet delegation arrives to negotiate gift of hospitals.

III. THE WEST

- ⑩ Portugal - Internal tension and army dissatisfaction foster rumors of military coup against Salazar.
- ⑪ Spain - Student demonstrations against regime expected in February; police reportedly reluctant to interfere.
- ⑫ New British-Icelandic incident may hinder solution of fishery problem.



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CENTRAL INTELLIGENCE BULLETIN

3 February 1959

DAILY BRIEF

SIRAB

I. THE COMMUNIST BLOC

Soviet nuclear-powered submarines: A report has been received from a [redacted] that a senior Soviet naval officer has stated that the USSR has in operation 12 atomic submarines equipped with torpedoes and missiles with atomic warheads, and that the construction of such vessels is being given much attention in the Soviet Navy. The reported number of submarines would appear to be more credible if it represented a Soviet program for constructing 12 atomic submarines, with the first few now in operation. Although it is not now possible to confirm the existence of any nuclear submarines, this report indicates that the USSR may have a more advanced nuclear submarine program than previously estimated. [redacted]

NO

[redacted] (Page 1)

USSR: There are some indications that the Soviet party congress will be in session longer than originally planned and that, contrary to the congress' agenda, changes in the party central committee may be acted on at one of the closing sessions. [redacted]

NO

Communist bloc - Indonesia: Four Chinese Communist twin-engine TU-2 light bombers apparently are being transferred to Indonesia as part of the 1958 bloc-Indonesian arms deals. The piston bombers, accompanied by an IL-14 transport, arrived at Rangoon, Burma, on 2 February. The bloc also is providing Indonesia with 20 to 30 IL-28 twin-jet light bombers, 55 MIG-17 jet fighters, and substantial quantities of other types of aircraft under arms arrangements totaling \$170,000,000. [redacted]

NO

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II. ASIA-AFRICA

Nb [*Iran-USSR: The Shah's interest in concluding a nonaggression treaty with the Soviet Union is causing grave concern and reassessment among Iran's Baghdad Pact allies. Turkey and Pakistan view the proposed treaty as a direct threat to the pact and are making major efforts to induce the Shah to reconsider. London is also trying to persuade the Shah to change his decision and, if this fails, is prepared to exert maximum efforts to get him to proceed cautiously.] [redacted]

The Iranian foreign minister indicated to Ambassador Wailes on 1 February that Soviet-Iranian negotiations were stalled over Iranian membership in the Baghdad Pact and have a "very good chance" of breaking down. It has been considered unlikely that the USSR would insist on terms which would obstruct conclusion of these negotiations.] [redacted]

(Page 5)

No [Cambodia: South Vietnamese intelligence agents are concerned that Thai authorities may be withdrawing their support of anti-Sihanouk activities. The Thais may in fact have adopted a more cautious attitude toward the various groups plotting against the Cambodian regime, owing to Western pressures and the presence of a UN mediator in the area. There still remains doubt, however, whether all levels of Thai contacts with dissident elements will reflect Bangkok's caution.] [redacted]

(Page 7)

OK [Algeria: [Several ministers of the Algerian rebel provisional government have informed the American Embassy in Tunis of their firm intention to prevent exploitation by France of Saharan oil resources. The rebels plan to "warn off Americans from Saharan districts" and discourage American oil companies from participation in French oil development projects. They fear American casualties might affect the US support they seek.] *no far*] [redacted]

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DAILY BRIEF

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Saudi Arabia - UAR: King Saud, showing renewed self-confidence, is trying to create the impression that he now seeks Nasir's friendship. [redacted]

NO

noform

[redacted]

[redacted] (Page 9)

Kuwait: Kuwait appears almost certain to join the Arab League in the near future, according to the American consul there. The British cabinet is reported to have approved the idea as an alternative to allowing consuls from the other Arab states to establish themselves in Kuwait. The Ruler of Kuwait, however, may wish to accredit Arab consuls as well as join the league and contribute heavily to the Arab development fund project in an effort to ensure himself against radical Arab nationalist agitation. [redacted]

NO

noform

Libya: A Soviet delegation has arrived in Libya to complete negotiations for constructing and equipping two hospitals as gifts from the USSR. The Libyan Government is still "studying" other long-standing Soviet aid proposals--especially in the form of machinery and technical aid for development projects. At the same time, Libya is attempting to obtain increased American aid. [redacted]

NO

III. THE WEST

Portugal: Persistent rumors in northern Portugal that the military are about to bring off a coup and force Prime Minister Salazar into retirement are symptomatic of the current political tension. A considerable number of army officers, mostly of junior grade, seem to be dissatisfied with the regime and to sympathize strongly with General Humberto Delgado, who campaigned for the presidency last spring and who, since 12 January, has been in asylum in the Brazilian Embassy in Lisbon. [redacted] (Page 11)

OK

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DAILY BRIEF

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Spain: Spanish police are reported reluctant to undertake repressive tactics against student demonstrations expected in Barcelona during February, because they are unwilling to identify themselves with the strong-arm methods of the regime. Increasingly open expressions of discontent in Spain seem likely, even if the government takes strong action against the Union Espanola--the formation of which was announced by rightist critics of Franco after a dinner in Madrid on 29 January. (Page 12)

OK

*Iceland-UK: The fishery dispute between Iceland and the UK flared up again on 1 February when British warships intervened after an Icelandic patrol vessel had apprehended a British trawler operating within the four-mile limit off Iceland's east coast. This is the first serious incident since mid-November, although Icelanders have claimed repeated violations of their unilaterally proclaimed 12-mile limit. The incident will inflame Icelandic opinion and hinder any solution of the disagreement.

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3 Feb 59

DAILY BRIEF

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I. THE COMMUNIST BLOC

Soviet Nuclear-Powered Submarines

(A report has been received [redacted] a senior Soviet naval officer has stated that "the USSR has in operation 12 atomic submarines equipped with torpedoes and missiles with atomic warheads, and that the construction of such vessels is being given much attention in the Soviet Navy. The atomic submarines are built on the Northern Sea (i. e., the Arctic Ocean), on the industrial base of Leningrad." Although it is not now possible to confirm the existence of any nuclear submarines, this report indicates that the USSR may have a more advanced nuclear submarine program than previously estimated.)

{In reviewing this report, JAEIC noted: "There is a high probability that the USSR would use pressurized water reactors in its first nuclear submarines. Atomic energy intelligence indicates the level of Soviet reactor technology would have permitted the design and construction of the first pressurized water reactor for submarines by 1958, but seemingly militates against the existence of 12 nuclear-propelled submarines in operation before the end of 1958."}

{GMIC has commented that submarines now could be armed with short-range surface-to-surface missiles requiring surface launching. It believes, however, that nuclear submarines would be equipped with a more sophisticated missile system than has been estimated to be available at this time.}

{The reported area of construction is consistent with previous intelligence, and it has been believed for some time that the first Soviet nuclear submarine would be built at Severodvinsk (formerly Molotovsk) on the White Sea, with major heavy equipment furnished by Leningrad plants. The USSR is considered to have the capability of arming submarines with torpedoes and missiles, both with nuclear warheads.}

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The reported number of submarines would appear to be more credible if it represented a Soviet program for constructing 12 atomic submarines, with the first few now in operation. During the past year there has been a marked increase in the number of reports that Soviet nuclear-propelled submarines are in operation, but the actual existence of such a submarine has not been confirmed.

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[REDACTED]

Possible Lengthening of Soviet Party Congress

[The Soviet 21st party congress, now in its eighth day, may be prolonged through 5 February, and there is a possibility that the meeting will depart from its formal agenda in the later stages. [REDACTED]

[REDACTED] the meeting was to last seven or eight days from that date. Since most of the leading figures in the regime have already addressed the congress on the Seven-Year Plan, the remaining time may have been set aside for other business.]

[REDACTED]

[REDACTED]

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Chinese Communist Participation in Indonesian Arms Deals

Four Chinese Communist twin-engine TU-2 light bombers, accompanied by an Indonesian IL-14 transport, arrived at Rangoon from Kunming on 2 February, apparently en route to Indonesia. The bombers, formerly subordinate to the Chinese Communist 23rd Air Division, presumably are being transferred to Indonesia under its 1958 arms agreement with Czechoslovakia. Under similar arrangements with Peiping, Czechoslovakia also is providing Indonesia with IL-10 ground-attack bombers and possibly other aircraft from Communist China as well.

Peiping also is participating in the Polish-Indonesian \$170,000,000 arms deal. This agreement calls for the delivery of naval vessels, including destroyers, submarines, and subchasers. The first four of eight subchasers which were supplied to Indonesia are believed to have been delivered from a Chinese Communist port, presumably under arrangements similar to those by which the Chinese Communist aircraft are being supplied to Djakarta.



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II. ASIA-AFRICA

Iran's Negotiations with USSR Worry Baghdad Pact Allies

(Turkey, Pakistan, and the United Kingdom, deeply concerned over Iranian-Soviet negotiation of a nonaggression treaty, are urging that every feasible step be taken to save Iran and the Baghdad Pact. Turkey and Pakistan believe conclusion of such a treaty would reduce the Baghdad Pact to worthlessness. They emphasize that pact members would no longer have any confidence in military planning with Iran.)

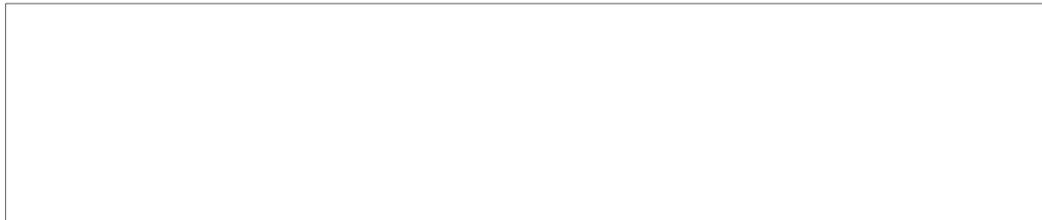
(Turkish officials argue that bilateral defense agreements with the United States are important to Pakistan and Turkey only if Iran also signs such an agreement. According to Turkish Foreign Minister Zorlu, an Iranian agreement with the USSR would be a dangerous example which might spread to both SEATO and NATO.)

(The British are already exerting maximum efforts to dissuade the Shah from finalizing the agreement and to encourage him to proceed cautiously. They are willing to consider with the US some new type of guarantee to Iran, but they have advised the US that there is little Britain can do to provide Iran with additional financial assistance.)

(Moscow's awareness of the political impact of a Soviet non-aggression pact with a member of a free world defense organization is reflected in the arrival in Tehran of a high-level negotiating mission on 29 January to support Ambassador Pegov, himself an experienced diplomat. The Soviet Embassy counselor in Tehran, apparently probing to discover the status of US-Iranian negotiations, remarked to the US military attaché on 30 January that a pact with the USSR would probably prevent Iran from concluding an agreement with the United States. Soviet leaders, seeking a quick agreement which in their view would deal a serious blow to the Baghdad Pact will probably try to keep provisions of any Soviet-Iranian treaty as)

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generalized as possible and avoid specific conditions unpalatable to the Shah. While the Iranian foreign minister indicated to Ambassador Wailes on 1 February that Soviet-Iranian negotiations were stalled over Iranian membership in the Baghdad Pact and have a "very good chance" of breaking down, it is considered unlikely the USSR would allow them to break down on this issue.



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South Vietnamese-Thai Cooperation Against Cambodia May Have Struck Snag

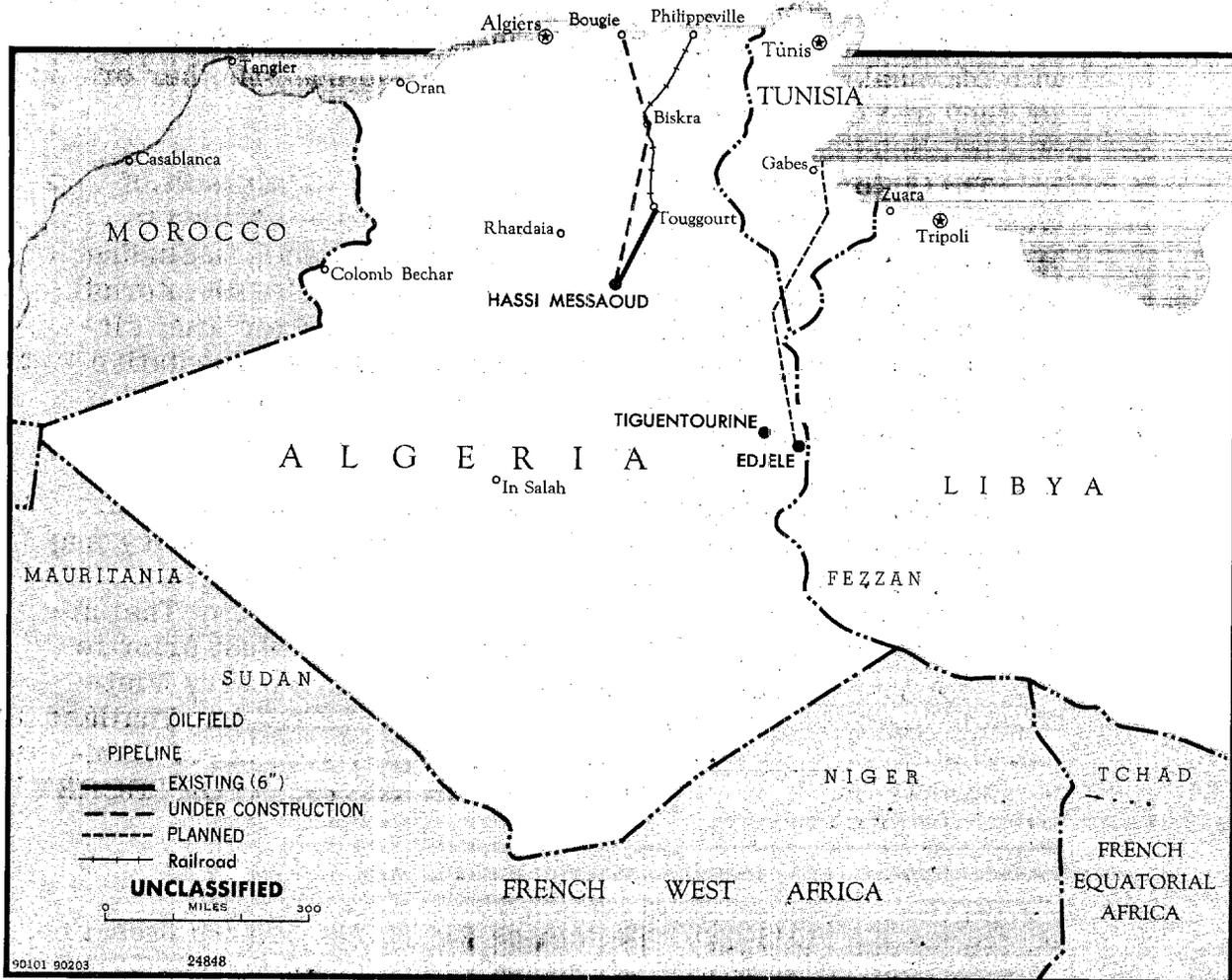
[redacted] Thai authorities may be withdrawing their clandestine support of the anti-Sihanouk dissident movement. [redacted]

[redacted] the Thais had decided to give no more assistance to former Cambodian Royal Councilor Sam Sary, who is in Bangkok working with the Vietnamese to overthrow Sihanouk. [redacted] Sam Sary received urgent instructions from Saigon to seek an audience with Marshal Sarit or General Prapat to find out "whether or not they are going to stick with us."]

[Thai informants, meanwhile, report that as a result of Western pressures, authorities in Bangkok have decided to break off all contacts with anti-Sihanouk dissidents, including Dap Chhuon, who recently appealed for backing for an internal coup venture. Another factor that could account for Thai circumspection is the presence in the area of UN representative Beck-Friis, who is seeking to restore diplomatic relations between Thailand and Cambodia.]

[In view of the strong hostility toward Sihanouk on the part of present Thai leaders, Bangkok's avowed hands-off policy may be only a pose or a temporary expedient. President Diem of South Vietnam can be expected to react strongly to any Thai attempt to withdraw completely from the plotting. Just prior to word that the Thai attitude had "changed" [redacted] Thailand had completed preparations to begin military training of Cambodian dissident forces after Beck-Friis leaves.] [redacted]

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Algerian Rebels to War on US Investors in Saharan Oil

[Members of the Algerian rebels' provisional government (FLN)--including the ministers of information, armed forces, and cultural and North African affairs--informed the United States Embassy in Tunis on 28 January that American lives and property would be endangered if American companies participate directly in the exploitation of Saharan oil. The rebels said they have told several American companies, including Standard Oil of New Jersey, which obtained a North Saharan concession from France last month, that they have no objections to explorations for oil. The rebels will not, however, permit France to exploit the Sahara's petroleum resources.]

[The Algerians said that while operations inside Tunisia of the International Bechtel Corporation--an American firm laying a pipeline from the Edjele field in eastern Algeria to the Mediterranean in southern Tunisia--will not be bothered, no rebel effort will be spared to stop work in Algeria.]

[The rebels deny that France has any right to the subsoil wealth of either the Algerian or Saharan departments. The FLN has repeatedly attempted to sabotage the heavily guarded pipeline-rail route activated in January 1958 to link the Hassi Messaoud field with the seacoast, scoring the first major success two weeks ago by blowing up an oil train, destroying 11 of 18 tank cars.]

[Other targets for rebel activity are the construction crews which last fall began laying a 420-mile pipeline from Hassi Messaoud to the port of Bougie. This route, scheduled for completion this fall, will yield an estimated output of 31,500,000 barrels of crude petroleum in 1960--nearly 15 times the 1958 output of the temporary pipeline and rail system. France, which is basing its economic development program for Algeria on the exploitation of the petroleum and natural gas resources of the Sahara, hopes by 1962 to obtain virtually all its estimated crude requirements from the Sahara.]

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King Saud Promoting Rapprochement With Nasir

[King Saud, in his bid to regain prestige lost to Crown Prince Faysal during last year's government crisis, is striving to create the impression that he again seeks friendly relations with Nasir. He has made an ostentatious display of attention to the new UAR ambassador, who was invited to accompany the King to Medina after presenting his credentials in Riyadh.]

[the policies of Saudi Arabia and Egypt will be coordinated more closely in the future. The UAR has already apparently agreed to postpone renewal of full diplomatic relations with Britain until London meets Saudi terms for restoration of relations.] Egyptian-Saudi military cooperation has been quietly resumed, and Saudi army officers and technicians are again being trained in Egypt.]

[Saud nevertheless almost certainly continues to regard Nasir's revolutionary regime with deep suspicion and fear. While Saud's move may bring him short-run advantages, normalization of relations with Egypt and increased Egyptian influence in the Saudi armed forces are likely to increase the ultimate danger of subversion in Saudi Arabia.]

[By publicly promoting rapprochement with Cairo, Saud has deprived Faysal of a major popular advantage at a time when his brother's prestige has declined among reform-minded non-royal Saudis as well as among members of the royal family. The former group had anticipated more substantial reforms when Faysal assumed active direction of the Council of Ministers last spring, while the royal family resented Faysal's attempts to curtail their financial allotments.]

[The King's extensive travels about the country in recent months apparently marked the beginning of a major drive to reassert primary leadership in Saudi Arabia. The King toured among tribes in the north and east, where he remarked that he was "hunting not gazelle but tribal leaders," and in the Hejaz,]

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where he cultivated popular favor by temporarily lifting restrictions in force in the holy city of Mecca. During his tours Saud made innumerable public appearances, dealt with local administrative problems, and dispensed generously of his own funds. Saud's aim, according to one official, was to show that he, unlike Faysal and other leading members of the family, was spending his personal funds within the country instead of investing abroad.]

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III. THE WEST

Army Coup Rumored in Portugal

Persistent rumors in northern Portugal that the military are about to stage a coup and force Prime Minister Salazar into retirement reflect continuing political tensions. These rumors, reported by the American consul in Oporto, are reminiscent of the situation last July when a number of military officers reportedly were planning a revolt against the regime for 8 August, the day of President Americo Thomaz' inauguration. The move was to take the form of a march from Oporto and Braga to Lisbon.

A considerable number of army officers, mostly of junior grade, are said to be disgruntled over what they regard as favoritism regarding promotions and over the regime's unnecessary severity last May in repressing popular demonstrations in favor of the oppositionist presidential candidate, General Humberto Delgado. These officers are regarded, in the north at least, as being strong supporters of Delgado, who obtained asylum on 12 January at the Brazilian Embassy in Lisbon to avoid arrest by the police. Opposition leaders in Oporto, who have recently been appealing publicly to the army to oust Salazar, maintain that the army will not permit rough treatment of Delgado.

The likelihood of a coup attempt might be strengthened if ex - Army Captain Henrique Galvao, who escaped from a Lisbon hospital on 15 January and is still at large, should succeed in establishing direct contact with dissatisfied elements of the military. Galvao, an outspoken critic of the regime, probably still enjoys the respect of many army officers and is popularly regarded as a martyr because of Salazar's unremitting hostility to him. He is also a close friend of Delgado, and if the two work together the general might be able to make good the prediction he reportedly made to a confidant recently that "Salazar has six months in which to leave the country or else he will never leave it alive." [REDACTED]

[REDACTED]

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Franco Regime Appears Uncertain in Face of Growing Difficulties

The Franco regime seems unsure of itself in dealing with various types of opposition activities. [redacted]

[redacted] the security authorities are worried about how to handle demonstrations by Barcelona University students reportedly scheduled for early February. Failure to scotch them will encourage their spread, but forceful action may worsen the situation. The official adds that many of the police are trying to devise ways of avoiding rough tactics, since they do not want to be identified with the regime's strong-arm methods. [redacted]

On 1 February rightist and liberal opposition groups in Madrid announced the formation of the Union Espanola, in defiance of the ban on all parties except the Falange. Three days earlier Joaquin Satrustegui, a liberal monarchist and wealthy Basque industrialist and a member of the new party, had strongly criticized the Franco regime at a dinner in Madrid attended by some 100 army generals, bankers, lawyers, and university professors. The Union Espanola, in which the left-wing Christian Democrats, Social Democrats, Socialists, and Anarchists are not participating, existed as a group at least a year ago without government interference. The regime permitted Satrustegui, a representative of the group, to attend a meeting of monarchist factions held in Estoril on 6 January 1959.

Should the regime fail to crack down on the Union at this time, in contrast to its severity in arresting 40 to 80 Socialists last November on charges of illegal political activity, its forbearance would probably be due to hesitancy to alienate powerful sources of financial aid and nuclei of support in the event that Franco eventually announces the restoration of the monarchy. Whether or not the regime takes strong action, public discontent is likely to make itself heard to an increasing extent. [redacted]

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